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# China Report

ECONOMIC AFFAIRS

No. 127

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# CHINA REPORT

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## NATIONAL POLICY AND ISSUES

### CURRENT ECONOMIC SITUATION ASSESSED

Tianjin TIANJIN RIBAO in Chinese 24 Feb 81 p 3

[Article by Gu Shutang [6253 2579 1016] and Chang Xiuze [1603 0208 3419]:  
"Understanding the Current Economic Situation in Our Country"]

[Text] Some comrades wonder why we say the current economic situation in our country is healthy in spite of huge budgetary deficits, overissuance of currency, rising prices and disruptions in the economic life. This question, an indication that some comrades do not understand clearly our current economic situation, calls for close examination.

#### The Principal Indicators of a Healthy Economic Situation:

Whether the economic and political situation is good or bad depends on the correctness of the line, principles and policies of the party. The Marxist political and ideological line and the principles of "readjustment, reform, reorganization and improvement" of the economy adopted by the Third Plenary Session of the 11th CCP Central Committee are founded on reality. The fact that they help the whole national economy to break away from the bond of the "leftist" errors and enter step by step the orbit of healthy growth assures us that the economic situation of our country will no doubt get better and better.

A fair assessment of the economic situation must cover all aspects of the economic activities of a society. These economic activities are the process of reproduction which consists of four links, namely production, distribution, exchange and consumption. It begins with production and goes through distribution and exchange to consumption, the final stage. Production, which is the starting point of the cycle, controls all the remaining links. Distribution and exchange are the intermediate links. Consumption, the end of the cycle, represents the completion of production, or the end-result of the economic activities. Consequently, to assess the economic situation we must examine the development of production and how satisfactory consumption is.

Judged in terms of production growth, the agricultural situation has been splendid. Since agriculture is the base of our national economy and we are a country of 1 billion people, 800 million of whom are peasants, the situation of agricultural production no doubt has a great bearing on the entire economy. As

a matter of fact, our agricultural production has increased rapidly in the past few years. In 1978 the grain production reached a total of 664 billion jin, the highest ever in history. The amount of agricultural and sideline products requisitioned in a period of 26 years, 1952-1978, increased only 73.5 percent, while it increased by 20 percent in 1978 alone. In spite of floods in south China and drought in north China and serious low temperatures, the grain production of 1980, though reduced by 5 percent, still exceeded that of 1978 by 10-20 billion jin, the second high yield per year since the founding of the People's Republic. At the same time, the production of cotton, edible oil and sugar broke the highest record in history. Similarly, grain production of our municipality since 1977 has increased a total of 2.6 million jin in 3 years, averaging an annual increase of nearly 900 million jin.

The growth of industrial production has also been pretty good. In 1980, in spite of a 2.9 percent decline in the amount of energy produced, the national gross industrial output value still went up by 8.4 percent. The growth rate of light industry has exceeded that of the heavy industry so much that the ratio of the former in the gross industrial output value went from 43.1 percent in 1979 up to 46.7 percent in 1980. The industrial production in our municipality has continued to expand. According to statistics, the annual average rate of growth was 7.8 percent in 1966-1978, but the rate increased to 101 percent per annum in 1979 and 1980. The ratio of light and textile industry in the gross industrial output value has gone up from 49.4 percent in 1979 to 53 percent in 1980. The industrial structure is becoming more rational.

The living conditions of the people have improved noticeably in the last few years. According to statistics, the average annual income per peasant was 73 yuan in 1956 but went up to 113 yuan in 1976, showing an annual average increase of only 2 yuan per capita. The annual average increase per capita increased to 17.7 yuan during the last 3 years. The annual income per peasant will, according to estimate, reach 170 yuan in 1980. Even though a part of the commune members have suffered a decline in income, the standard of living of the commune members as a whole has improved noticeably in the past 2 years. The researchers of our Nankai University Economics Research Institute have visited the Liuzhuang Production Brigade, Xinxiang, Henan. This brigade consists of 207 households, over 90 percent of which have moved to their new residences, and over 60 percent of the households have television sets. The commune members have a total deposit near 600,000 yuan, way above the living standard of urban staff and workers as a whole. Of course, this is an advanced unit. What are the conditions in the backward localities? Take the four districts in northwestern Shandong for example. These four districts, which had a real breakthrough last year, registered an increase in agricultural income of 57.3 percent over that of 1979. The per capita share allotted increased to 90 yuan, up by 40 yuan over that of 1979. This situation is by no means unusual, even though it varies from place to place. Take the situation in the suburbs of Tianjin for example. The individual income which a commune member receives from his collective group was 102.9 yuan in 1977, 127.3 yuan in 1978 and 145.2 yuan in 1979. The increase in all these instances is over 10 percent. We are a country of 800 million peasants, who form the overwhelming majority. When they fare better, the whole situation takes a favorable turn in its development.

The living conditions of city staff and workers have also improved considerably. Within a period of 4 years, 1977-1980, 26 million youths and others were provided with jobs. The average wage per capita earned by staff and workers of the units under the ownership of the whole people rose from 644 yuan in 1978 to 705 yuan in 1979, and then to 781 yuan in 1980. The average wage earned by staff and workers of units owned by the whole people of our city rose from 710 yuan per capita in 1978 to 865 yuan in 1980. According to a survey of the living conditions of 500 staff and worker households in our city, the average monthly real wage per capita, excluding adjustments due to rising prices, has gone up by 61 percent over that of 1965 and by 23 percent over that of 1978. Compared with 1965, the monthly per capita consumption of meats, fish and shrimps and fresh eggs has increased by 50.3, 27.4 and 87.3 percent respectively; the money spent for clothing has increased 2.3 times; that for the purchase of articles of practical use has doubled; and that for the purchase of objects of cultural and entertainment purposes has increased 10.6 times. These are positive indications of a rising level of consumption by the staff and worker households. At the same time, the construction of living accommodations has increased rapidly. The residential quarters completed in our city in 1979 cover 2.059 million square meters in floor space, and that completed in 1980 was 2.30 million square meters. The floor space finished in these 2 years equals the total floor space finished in a previous period of 9 years, 1970-1978.

Moreover, the pilot projects in the reorganization of the economic structure have enabled the entire economy, including circulation, to acquire more flexibility and vitality. The output value and profit of over 6600 pilot enterprises exceed their per-pilot level and that of the non-pilot enterprises. The rural economy has become especially brisk as the communes and production teams have won their decision-making power, while diversification and family sideline production as well as trading at the fairs are encouraged. The policy of remuneration according to work and a system of production responsibility are implemented in accordance with the two documents of the Party Central Committee and its other related documents which were issued last year.

The situation described above shows that the current economic situation has never been so good since the founding of the People's Republic. This represents the overall situation.

#### How To Deal With The Hidden Dangers?

There are, however, unfavorable factors in the current economic situation, a splendid situation threatened by hidden dangers. These must be watched attentively. One of these dangers is huge budgetary deficits. To tide over the deficits, it is necessary to resort to bank loans and overdraft, leading eventually to over-issuance of currency and rising prices. Although there are numerous causes of rising prices, this is the basic cause. Except those commodities which are under state price control, the rising commodity prices have been widespread and steep. The masses are quite concerned, and we must not take the problem lightly. If this is not effectively resolved, budgetary deficits will grow and the bank will issue more currency. The result will be continued rise of prices. This means not only that the people will lose the additional income they



earned in the past 2 years, but also economic disorder, the disruption of orderly life and perhaps the demise of political stability and solidarity. Viewed in this context, these are really hidden dangers. This is a problem we cannot afford to underrate. Isn't it a contradiction to claim that the economic situation is splendid in the face of such serious problems? There is no contradiction. The danger and crisis described above are just a possibility. There is always more than one possibility in the development of things. There is at least another possibility. If we do not watch this danger closely and do not deal with it effectively, it will lead to the point of explosion if it is allowed to take its natural course. However, it is only a symptom which has not yet developed far enough to become a crisis. We could head off the danger and make the good economic situation even better if we realize the seriousness of the problem and act decisively to bring it under control. So the danger is "hidden," not real. Like a time bomb, it is really a hidden danger. If the detonation device is removed, it loses its explosive power and will no longer threaten our safety.

So a hidden danger does not mean exactly that the situation is bad. The situation would worsen or become serious only if people do not pay any attention to the explosiveness of the danger.

How can we remove the hidden danger and make the situation even better? The first step is to analyze the causes of the hidden danger. The rising commodity price is due mainly to huge budgetary deficits and over supply of currency. The budgetary deficits in turn are caused by an excessively high rate of accumulation and excessive investment in capital construction. The situation is brought about by years of excessively high quotas and high rate of accumulation guided by the "leftist" ideology. The key to the solution of this problem is to take a further step to wipe out the "leftist" interruptions and uphold the line, principles and policies of the Third Plenary Session. The most urgent matter is to strive to accomplish the readjustment of the national economy.

#### To Strive for the Readjustment and Make the Situation Even Better

Some comrades claim that the "budgetary deficits are brought about by the economic reforms after the Third Plenary Session." This is incorrect. The reform of the economic structure is correct and beneficial. The crux of the problem is the over-extended front of the capital construction all these years which aggravates the dislocation of the proper ratios. Our failure to take forceful measures at the proper moment to cut back the gigantic capital constructions has led the accumulation and consumption rate to exceed our national income and allowed the expenditure for the capital construction and other items to exceed the state revenue. For years we have been yelling about "shortening the capital construction front," but the total investment in capital construction has been increasing year after year. Why is it so difficult to shorten the capital construction front? Isn't this what we call the impact of the erroneous "leftist" influence on the guiding ideology of our economic work?

There are other comrades who believe the current rise of commodity prices is due to higher prices paid for the requisition of farm sideline products and has nothing to do with the "leftist" guiding ideology in the economic construction.



This viewpoint is also incorrect. The increase of the requisition price for farm sideline products, though a bit too high, so as to require careful examination, has been on the right track as a whole and is inevitable. The increase has obviously aroused the socialist enthusiasm of the peasants. The state pays a 5-yuan subsidy to compensate each staff or worker for his losses due to higher price of non-staple food items. This is necessary to take care of the livelihood of the people. To correct uncontrolled expansion of the accumulation and depression of consumption, the rate of accumulation has to come down. This would not work unless we do well in the readjustment. As we strive to stabilize commodity prices, the principal surgery should aim at lowering the accumulation rate and readjusting the ratio between accumulation and consumption, so as to bring the accumulation to less than 30 percent. To achieve this, we must cut back state expenditures, especially the reduction of capital construction investments. Moreover, all duplicated plants should be shut down, suspended, merged or transferred.

Focusing on readjustment, the decision of the Party Central Committee and the State Council to press for further readjustment of the national economy is a weighty policy decision based on an overall analysis of the current economic situation. Only by successful readjustment could we overcome the difficulties, remove the obstructions to make room for further development of the economy and weed out the hidden dangers so as to make the existing splendid economic situation keep developing.

The readjustment of the national economy means not only to overcome the difficulties in the current economic development but more significantly to free ourselves completely from the erratic "leftism" and find a new road to develop the national economy which agrees with the true conditions in our country. The most important lesson we learned during the progress of the economic work since the founding of the People's Republic is that our guiding ideology leaned too much to the "left." The unrealistic preoccupation with the pursuit of quick results has led us to boundless disaster. This is a lesson we should remember. The decision of the Party Central Committee to strive for readjustment is a clear indication that our economic work will shake off the impact of the "leftist" ideology and follow a more healthy line, a fresh start of steady development of our national economy. The economic work will proceed steadily if we work wholeheartedly to observe the line, principles and policies of the Party Central Committee. This will overcome not only the immediate difficulties but also lead to the development of a "comparatively comfortable society." Consequently all the pessimistic and passive views should not be allowed to prevail.

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## ECONOMIC PLANNING

### NINGXIA ECONOMIC READJUSTMENT SUCCESSES REPORTED

Yinchuan NINGXIA RIBAO in Chinese 1 Feb 81 p 1

[Article by Cheng Shaozheng [4453 4801 6927]: "Ningxia Economic Readjustment"]

[Text] The principle of readjusting the national economy as applied in our region in 1980 has registered some initial successes represented by three specific changes.

#### 1. A Reduction in Scale and Increase of Efficient Investment

According to statistical reports of the agencies concerned, the total investment in capital construction in 1980 went down by 21 percent as compared with that of 1979. Due to reduction in scale and more efficient investment, the increase of fixed assets during the current year reached 81.9 percent of the total investment, approaching the average achieved during the First Five-Year Plan. The increase of fixed assets in the whole region during 1980 is 7,135 yuan over the average of 1950-1978.

#### 2. More Attention Directed to the Relationship Between the "Bone" and the "Flesh," and More Investment in Non-productive Construction

Acting within its capability, the investments by this region in 1980 were used to meet "commitments" to the construction of residential quarters, commercial networks and centers, city public utilities, as well as cultural, educational and health facilities. The various agencies and localities have spent large sums of money that they raised to build residences. As a result, the amount of non-productive investment has surpassed that of the preceding year. Compared with 1979, the investment committed to the completion of residential quarters in the whole region has increased 17 percent. According to initial statistical figures, the area of residential quarters completed last year reached a total of 470,000 square meters, the highest ever in the region. The investment in cultural, educational and health services has gone up by 29 percent over that of the preceding year. The area of school buildings completed has increased 30 percent over that of the preceding year. This includes 300 primary and middle school classrooms which can accommodate 15,000 new students.

### 3. Improvement of Investment Structure and Better Coordination of the Ratio Between Light and Heavy Industry.

The most noticeable achievement is the reduction of heavy industry investment and a marked increase of investment in light industry, which has gone up by 52 percent over that of last year. The Second Wool Spinning and Weaving Mill of Yinchuan and the Yinchuan Wool Stripping Mill are two pilot light industrial projects. Due to the efforts of the related planning and construction units, they were speedily but well constructed. Now these two mills are installing equipment and training workers. They will begin production this year so as to make the investment rewarding.

In spite of these changes, the scale of capital construction in our region is still too big, not commensurate with existing financial and material resources. Now all the sectors concerned are striving to carry out the policy of further economic readjustment and work out practicable measures to limit construction to what is actually possible and cut back the scale of capital construction.

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## ECONOMIC PLANNING

### PROVINCIAL PARTY COMMITTEE HOLDS MEETING ON READJUSTMENT

Fuzhou FUJIAN RIBAO in Chinese 23 Jan 81 p 1

[Article by FUJIAN RIBAO correspondent: "Economic Readjustment on the Basis of Stability and Unity--Provincial Party Committee Holds Meeting of Prefectural, Municipal and County Party Secretaries To Implement the Spirit of the Party Central Committee's Important Directive"]

[Text] The Provincial Party Committee recently held a meeting of prefectural, municipal and county party committee secretaries for relaying and learning from the spirit of the important directive from the Party Central Committee. The participants unanimously supported the important policy decided on by the Party Central Committee for further economic readjustment and further political stability, and pledged to be unconditionally at one with the Party Central Committee in political matters through unity in understanding and action. The meeting discussed and studied the ways and means to continue the emancipation of the mind, to eliminate the influence of leftist thinking, to make economic readjustment and to promote political stability in the light of realities of our province. They also pledged to uphold and improve the party's leadership and to adopt special policies and flexible measures to bring about the steady progress of economic construction in the province in the course of readjustment.

Xiang Nan [7309 0589], Standing Committee secretary of Fujian Provincial CCP Committee, spoke at the meeting on the question of emancipation of the mind, and Ma Xingyuan [7456 5281 0337], secretary of the Provincial Party Committee, summed up the proceedings of the meeting on behalf of the Standing Committee of the Provincial Party Committee.

#### Correct Understanding of Our Province's Economic Situation

The meeting reviewed the work of the province since the smashing of the "gang of four" and particularly since the Third Plenary Session of the 11th Party Central Committee, analyzed the present situation, affirmed the achievements and pointed out the existing difficulties and problems. The meeting noted the fine economic situation in our province at present. Since the Third Plenary Session of the 11th Party Central Committee, the party organizations at all levels in our province have shifted the focus of work to modernization, and through the implementation of the Party Central Committee's lines, principles and policies, the national economy

of the province has undergone great development. The various economic policies of the party have been more firmly implemented in the countryside, and the production responsibility system in agriculture is being gradually set up. This system has aroused the peasants' enthusiasm in production and promoted the development of agriculture. In the past 4 years, grain output has continued to increase, and there has been an all-round development of diversified economy. The rural commune members' income has increased and the peasants now begin to enjoy a period of recuperation. Industrial production has also continued to rise in the past several years. In 1980, the total industrial output plan was overfulfilled and exceeded that of 1979 by 11.1 percent. Economic activities abroad have also been further developed. In 1980, the total value of our export trade increased by 47.4 percent over that of 1979. Financial receipts and expenditures are generally balanced. Science, technology, and cultural, educational and public health work have all shown marked improvement, and outstanding success has been achieved in planned parenthood. However, our province is also facing an urgent task of economic readjustment. The capital construction front has been over-extended, and with the funds widely scattered, the economic resources of the province are being overstrained. We have had increased grain output, but the average share for the population is still very small. Furthermore, because of the widely scattered work force in the countryside and the slow progress of winter planting and farming preparations, the task of grain production this year is likely to be an arduous one. The rise of commodity prices in particular has directly affected people's livelihood. There are also many difficulties and problems in production and construction. We must firmly uphold the principle of seeking truth from facts, and while affirming the fine situation and strengthening our confidence, we should also note the hidden danger and exercise great care in solving the present problems. After analyzing the basic problems in economic construction, the participants realized that the guiding thought had not yet been freed from the fetters of the "leftist" thinking; that the Provincial Party Committee had not fully understood the policy of readjustment adopted after the Third Plenary Session and therefore did not implement it with enthusiasm; that we have not been objective in studying the new conditions and solving the new problems; that there was too much restriction in the rural policies; and that the targets set in our economic plans were usually too high and the time allowed for their fulfillment was too short to be practical. They pledged to carefully sum up their experiences and draw their lessons, to overcome the influence and to shake off the fetters of the "leftist" errors, and to resolutely implement the spirit of the important directive from the Party Central Committee. This readjustment is a continuation and development of the various correct principles and policies adopted after the Third Plenary Session, and a further rectification of the erroneous "leftist" guiding thought by seeking truth from facts. By summing up both the positive and negative experiences and lessons, we must place the entire construction plan on a firm and dependable foundation, stand firm and then march in steady steps.

#### **Earnestly Implement the Policy of Readjustment and Economic Stability**

The participants at the meeting unanimously supported the important policy as decided by the Party Central Committee for further economic readjustment and further political stability, and resolutely pledged to fulfill the various important tasks put forward by the Party Central Committee.



The meeting held that further readjustment was the only correct policy based on the realities of our national economy for eliminating the ideological shackles of "leftist" errors, and serving as the basis for setting right the guiding thought in economic work. We must do this job well, and all work in the province must be subordinate to this central task. In 1981, the province will drastically reduce the scale of capital construction, lower the rate of accumulation and raise the returns of investments. We will also reduce the production of goods now in excessive supply and produce more of those now in short supply. Those enterprises producing unwanted goods of poor quality, consuming too much raw material and operating at great loss will be closed, suspended, amalgamated, or converted to produce other goods according to the circumstances of each case. Administration expenses should be reduced. In the course of readjustment, there must be sufficient retreat, if retreat is necessary at all, but there should also be advance, if such is necessary. There will be advance in agriculture, and on the basis of a steady increase of grain output, there should be an all-round development of agriculture, forestry, animal husbandry, sideline production and fishery. There should also be a general advance in industry, with particular emphasis on tapping potentials and renovation and transformation of equipment. The weak links in transportation, energy resources and so forth should be strengthened, while science, technology and cultural, educational and public health work should be suitably developed. Workers' dormitories, public undertakings, safety measures in production and environmental protection should be carried out within the limits of our capability. We should continue to strictly control the natural growth of population, stabilize commodity prices in the market, particularly the prices of people's daily necessities in the cities and the countryside, gradually wipe off financial deficits and maintain a balance between receipts and expenditures, preferably with some credit balance.

The meeting strongly pointed out that promoting agricultural production is an important matter with an impact on the overall situation. In Fujian, agriculture is the weakest link in the economy. Although there has been increased output in 4 consecutive years, the average share of grain for each person, or the per capita grain ration, is still very low. Failure to increase grain output will inevitably retard the development of cash crops and the development of light industry which relies on agricultural products for their main raw materials. It will also have a direct effect on foreign trade, financial revenues and political stability. This is an important matter with an impact on the overall situation. Therefore, all departments should turn on a green light for agriculture, and the top and second top leaders at the prefecture and county levels in particular should devote 70-80 percent of their energy to agriculture. The proper way is to emancipate their minds, adopt flexible policies, eliminate the leftist thinking, practice the responsibility system and pay attention to scientific methods. At present, we should step up our work of farming preparations in order to insure the steady increase of grain output. At the same time, we should adapt measures to local conditions in developing diversified economy. These two sentences should be our motto: "Never relax our efforts on grain production" and "Be sure to promote diversified economy." Both grain production and diversified economy are mutually supplementary because if we relax our efforts on grain production, people's livelihood cannot be improved; and without diversified economy, people cannot become rich and even grain production cannot make any headway. The key to good agricultural development is to



strengthen and perfect the production responsibility system and to further arouse the peasants' enthusiasm in production. In the past, when we readjusted the relations of production, implemented flexible rural policies and practiced the system of production responsibility, our minds were not sufficiently emancipated, and for a fairly long time, we did not agree with the system of setting up work quotas for groups and paying them according to their output. We also arbitrarily opposed the idea of setting up production quotas for the households, thus putting some basic level comrades in a predicament, because they were at a loss as to what to do. We must now resolutely implement the spirit of the Party Central Committee's directive, and strengthen and perfect the system of production responsibility in agriculture. While recognizing the collective economy as the unshakable foundation for the modernization of our agriculture, we must also understand the need to improve its business management and to further correct the subjectivist guiding thought for production and equalitarianism in distribution. At the same time, we should permit the use of different forms of business operation because of the uneven economic development in different places.

#### Strengthen Ideological and Political Work, Preserve Stability and Unity

The meeting recognized the success of the ideological and political work done by the party organizations at all levels, the propaganda and theoretical study departments, the cultural, art, educational and journalistic departments, the mass organizations and the broad masses of cadres; and the outstanding achievements in setting things right theoretically and politically, in rectifying the ideological line, in propagating the spirit of the Third Plenary Session and in disseminating and implementing the Party Central Committee's principles and policies, all of which have given a great impetus to all types of work since the smashing of the "gang of four" and particularly since the Third Plenary Session. During this period, our propaganda has been more successful than ever, since the founding of the People's Republic. Yet there still exist certain defects and problems. From what we can see now, these defects and problems are mainly attributed to our failure in propagating the four basic principles actively, forcefully and convincingly; in struggling against erroneous ideas that are contrary to the four basic principles; and in deepening our study and discussions on "practice as the sole criterion of truth." The Provincial Party Committee is mainly responsible for these problems.

The meeting held that political stability is necessary for economic readjustment. To insure the smooth accomplishment of the arduous task of readjustment and the unity of ideology and action in the party, it is necessary to strengthen and improve the party's propaganda work, and to unfold ideological and political work effectively, extensively and intensively. The present situation in the province is very fine. The broad masses of cadres and people are actively supporting and implementing the principles and policies formulated after the Third Plenary Session of the Party Central Committee; the guiding ideology for people of all strata is active, healthy and progressive; the social atmosphere and social order have very much improved since the smashing of the "gang of four"; and respect for democracy and the legal system is far greater than before. All these constitute the main current. Yet we must also be aware of the many political and ideological problems, of certain elements of instability, and of the erroneous and muddled ideas inside and outside the party. This situation should be soberly assessed and party organizations and

the leading responsible comrades at various levels should devote great energy to ideological and political work. In solving various ideological problems, they should adopt the policy of allowing people to empty their chests and then providing guidance, and the method of persuasive education. The crude and oversimplified methods of "suppression" and "coercion" must be forbidden. Any force that may disrupt stability and unity must be promptly and duly dealt with, while all hostile forces, counterrevolutionary elements and criminal offenders who may seriously endanger social order must be resolutely attacked and brought to justice.

The meeting pointed out that political stability is the safeguard for economic readjustment. Therefore, factionalism must be eliminated; party spirit must be fostered; the cadres must remain firm; unhealthy tendencies must be resolutely corrected; and the victims of miscarriage of justice, false charges and wrong verdicts must all be rehabilitated. Problems of people's livelihood should be promptly solved, if such solutions are possible. The diehard followers of Lin Biao and Jiang Qing and those who are forming factions and cliques must be resolutely struggled against, while the criminal elements who disturb social peace must receive resolute blows. But the key lies in the unity of cadres. At present, we should carefully handle these three issues: First, the local cadres should warmly welcome the outside cadres who have come to work in Fujian permanently. We must evaluate cadres according to the criterion of party spirit and regardless of regional differences. Secondly, we have to rely on the old cadres in boldly using the promising local cadres before our work can be fruitful and the enthusiasm of thousands or millions of cadres can be aroused. Thirdly, we should increase our speed in implementing the cadre policy. In dealing with those cadres who have erred in certain ways, we should adhere to the spirit of being generous instead of being over-meticulous and of leniency instead of severity so that the cases can be quickly settled and the cadres concerned can be assigned to their posts at an early date.

#### Further Strengthen and Improve Party Leadership

The meeting held that since party leadership is the basic guarantee of success in our work, the present economic readjustment, which is a very arduous and complicated task, cannot be basically accomplished without party leadership. We must duly correct the various mistakes in the system of leadership, further strengthen the leading bodies, rectify the party's work style, and establish closer contacts with the masses in order that the party's ideology, organization and work style will be suitable for the new situation. It is also necessary to do a good job in the division of work between the party and the government. Party leadership should be mainly embodied in political and ideological guidance. Through proper implementation of the party's lines, principles and policies, we should strengthen our ideological and political work with party members serving as the vanguard in arousing the enthusiasm of the broad masses of cadres and people in various departments for the common task of attaining the party's aspirations and goals. In order to improve party leadership, we should also pay serious attention to party discipline, rectify the party's work style, and further strengthen the relations between the party and the people. Right now, we should solve the following problems: First, we must positively oppose the erroneous attitude and double-face tactics of outwardly complying with, but inwardly resisting, the Party Central Committee's lines,

principles and policies. Secondly, we must resolutely combat bureaucracy and the practice of privilege-seeking, and restore the fine tradition of hard struggle and sharing every weal and woe with the masses, in order that a close relationship between the party and the masses can be maintained. Thirdly, the corrosive bourgeois ideas must be firmly opposed. Aside from the strict observance of party disciplines and state laws, we should, more important still, strengthen ideological education, particularly education in party rules and regulations and party laws; mobilize the broad masses of party members and people to exercise their regular supervision over the party cadres; and create public opinion for upholding disciplines and opposing unhealthy tendencies. Leaders at various levels should set personal examples and take the lead in overcoming unhealthy tendencies, while party committees at all levels and the discipline inspection departments should make every effort to make this task a success.

The meeting strongly pointed out that in order to strengthen and improve party leadership, we must firmly uphold democratic centralism, and the system of division of work and responsibility under collective leadership. The spirit of daring to shoulder responsibility should be encouraged. To avoid personal autocracy and grievous blunders, there must be no more such thing as "only what I say counts." Yet it is inadvisable to have everything "deliberated" as though the party committee serves only as a club house. There should be no "veto power" for individuals. They can reserve their dissident views, but must uphold the principle that "the individual is subordinate to the organization; the minority is subordinate to the majority; the lower level is subordinate to the higher level; and the entire membership is subordinate to the Party Central Committee."

The meeting realized that we are confronted with many difficulties which cannot be straightened out in a short time. Communist Party members should consider the transformation of the world as their own duty and should be fired with a lofty ambition. Yet putting out strident slogans and making empty promises and excessive demands, or expecting some miracles overnight will certainly land us in a passive position. Therefore, it is better to stress the need for hard struggle with dogged determination and working steadfastly. We must not make false statements and refrain from empty talk or bragging. We should act before talking, act more and talk less, or even act without talking at all.

The meeting pointed out the highly diversified conditions in our province which consists of mountains and plains, coastal areas and the hinterland, industry and agriculture, the systems of ownership by the whole people and collective ownership, internal construction and opening up for foreign trade. Different conditions exist even within a county. Under the unified leadership of the Party Central Committee, we should carry out our work according to the actual local conditions instead of copying from others mechanically, or trying to save our energy by applying a single formula for the solution of all problems and justifying our action on the strength of the authority of a single person. We must not lean to one side alone as though we have been swept by a sudden blast. Every locality and unit must carefully think of their own strong points as well as weaknesses, and of the way to take full advantage of the strong points and to steer away from the weaknesses, and adopt methods suitable to local conditions.



## Emancipate the Mind, Continue To Eliminate the Influence of Leftist Thinking

The meeting held that since the smashing of the "gang of four," the implementation of the lines of the Third Plenary Session has been mainly a success. On the whole, however, the progress has been slow. We must take the opportunity of learning from the spirit of the Party Central Committee's recent important directive, further emancipate our minds, and continue to eliminate the influence of the "leftist" thinking. The Party Central Committee has decided to give greater autonomy to our province, and we can adopt special policies and flexible measures to make better use of foreign funds and to develop our foreign trade in order to develop Fujian's economy more flexibly and quickly. If we do not correct the "leftist" errors by sufficiently emancipating our minds, or are not resolute enough in implementing the flexible policies; and if the measures taken by us are not flexible enough so that we have to ponder over what should be done according to the Central Committee's documents and hesitate to take any action, then can we possibly enliven our economy and carry out our construction well? All localities, departments and units should carefully think over these questions: What are the special features of the special policies? What are the flexible features of the flexible measures? By emancipating our minds, we do not mean that we can indulge in fantasy or seek bourgeois liberalism. We mean the emancipating of the mind under the guidance of the four basic principles and seeking truth from facts so that our thinking will correspond with objective realities. In building up our special zone, we have to utilize what is good and resist what is bad in foreign countries. We must resist the corrosive effects of bourgeois ideas and life styles, and criticize anarchism and ultra-individualism. This form of special policy and flexible measures must not deviate from the correct orientation and must be foolproof. If our thinking is ossified and rigidly confined within certain old conventions, or fails to keep pace with the new developments, we will commit serious errors. The elimination of the influence of "leftist" thinking should take place inside the provincial and prefectural party committees, including the departments, commissions, staff offices and bureaus directly affiliated with the province, but the key is in the hands of the Standing Committee of the Provincial Party Committee. Our Provincial Party Committee should take the lead in criticism and self-criticism, and we hope that all prefectures will carefully review their work in the past in order to be unconditionally at one with the Party Central Committee. However, they should not launch any movement and should avoid pursuing individual liability at different levels which may call for self-examination at every level and require every person to pass a test.

The Provincial Party Committee worked out concrete plans for the current work at the meeting and called on the other party committees to bear in mind these three items: First, the spirit of the Party Central Committee's important directive should be relayed to the lower levels before the spring festival, and then, within 2 or 3 months after the spring festival, each unit should allow 2 or 3 half-days each week for people to study, discuss and implement the spirit of the important directive in the light of the conditions of work and ideology in their own localities, departments or units. Secondly, great attention should be paid to the preservation of social peace, the attack on speculation and profiteering, and the stabilization of commodity prices. Thirdly, supervision should be carried out over winter production and farming preparations. The implementation of the spirit of this meeting will greatly enlighten the party members and improve their style of work. With one heart and one mind, they pledged to do various types of work well for the province and to win even greater achievements in economic readjustment and in stability and unity.

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## ECONOMIC PLANNING

### BRIEFS

**QINGHAI INTELLECTUAL YOUTH**--Last year, the Qinghai Provincial Government granted an appropriation of 1.2 million yuan for providing jobs for intellectual youths by expanding the collective economy in Xining. This appropriation, granted in the form of an interest-free loan, was distributed among 26 intellectual service teams in three different districts, and 3,025 intellectual youths have been employed. With these funds, the service teams have set up collective enterprises to provide various forms of service, such as vehicle repair and maintenance, transport loading and unloading, catering, radio repairs and maintenance, artistic work, photographing and so forth. In addition to the promotion of production, more job opportunities have been created. [Text] (Beijing GONGREN RIBAO in Chinese 24 Jan 81 p 1) 9411

CSO: 4006

## FINANCE AND BANKING

### AIMS IN REFORMING BANKING SYSTEM DISCUSSED

#### Economic Control Function

Beijing ZHONGGUO JINRONG [CHINA'S FINANCE] in Chinese No 10, Oct 80, pp 2, 3

[Commentary: "Positive But Cautious Reform of the Banking System"]

[Text] The People's Bank recently convened a banking system reform symposium at which the participants analyzed the current economic development, holding that with reform of the economic control system at a rapid pace, it is necessary to reform the banking system.

Beginning in 1981, the practice of granting greater autonomy to enterprises will become more universal on a trial basis. The state will play the role of market regulator through the guidance of state plans. Following the implementation of more liberal party policies, many cities have started to diversify their economies, and their market activities have increased. In the rural areas, some communes, production brigades, production teams and individual peasants have accumulated more wealth. As a result, large sums of cash have begun to accumulate in the hands of enterprises, communes, production brigades and teams, and individuals. And the banks are thus faced with the new task of absorbing such funds through their savings and loan activities and applying these funds to the necessary means for carrying out the four modernizations.

The current banking system in China is not without certain shortcomings and defects. Our banks have in a large measure played the role of cashier instead of regulating the economy. This is because over a long period, we failed to realize that our socialist economy is also a commodity economy. We failed to apply the law of value to regulate our economy, and we did not use credit loans and interest as economy-regulating levers. Our state funds were largely used for making financial allocations which required no repayment, and our banks did not extend many loans. In addition, our banks were placed under the administrative control of the government. In the past, we promoted many measures restricting the development of productive forces, and regarded them as expressions of the superiority of socialism. On the other hand, we also discarded all the traditional banking practices and scientific control measures which would encourage the development of the productive forces because we considered them capitalist practices and measures. As a result, our banks did not carry out their function as banks. Although in the past year and more we have carried out some minor reform of our banking system with satisfactory results, we have not yet solved our problems fundamentally. A great deal remains to be done.



The reform to be carried out in our banking system will be aimed at reforming the national economic control. It will be a major reform. The reform in our national economic control is to determine what type of socialist economy should be adopted in China, involving the basic policy of our socialist construction and the principle to be followed in setting up our economic structures and carrying out economic activities. In other words, we want to formulate an "economic charter." In the light of this need, we should carry out the reform with a view to restructuring our banking system and reforming our policy and control system concerning our banks in accordance with the basic policy, and the correct way of operating socialist banks. As this reform involves many things and the conditions are very complex, we must sum up our historical experiences, formulate overall plans, and proceed with care.

How should this reform be carried out actively and properly? The key lies in correctness, and attention should be paid to the following:

First, there must be correct orientation. We must have correct guidelines in order to make correct decisions and take firm stands in order to avoid detours in our work. At the third session of the Fifth National People's Congress, Comrade Hua Guofeng clearly pointed out: "The general orientation in the reform of our economic control system is to change the overly concentrated power of the state (including central and local authorities) and grant greater autonomy to enterprises; allow workers to participate in the control of their enterprises; allow our economy to be regulated both by planning and market conditions instead of by planning alone; and rely principally on economic organizations, economic measures, and legal means to control our economy instead of relying on administrative organizations and methods." We should set the basic goals of our reform according to this general orientation in order to solve the main problems in our current banking system.

In the same way as the reform of our overall economic system, our banking system reform should aim at developing a socialist commodity economy and promoting socialized production under conditions in which public ownership over the means of production accounts for a greater percentage. The reason great importance is attached to the role to be played by banks in carrying out reform of our economic system is because we must develop the role of banks as regulators of our economy through the use of such economic levers as credit loans and interest, in order to achieve the goal of developing a commodity economy according to the law of value, and regulating it both by planning and market conditions instead of by planning alone. For this reason, in the course of the reform, efforts should be made to study how to change the role of banks from that of cashier to that of an important economy regulator; how to change reliance on state finance for the distribution of funds to reliance on credit loans from banks, thus minimizing the allocation of funds requiring no repayment; how to change the control of banking operations by administrative means exercised by the government to the adoption of economic and legal means; and how to change the "public meal for all" banking control method to a new control method requiring the establishment of a responsibility system based on economic soundness, economic accounting and economic results. With a clarified general orientation, we should study the general concept of the reform and formulate concrete measures to be adopted in the next couple of years.

Second, some transitional methods should be adopted in carrying out the reform, so that it is put into practice first on trial basis before being adopted formally. It is impossible for us to carry out an overall reform at one stroke before all preparations are completed. Besides, if we did that we would be bound to make the mistake of carrying out the reform too subjectively, lopsidedly and unrealistically. We should do it step by step, making corrections as we go along.

Today, we are confronted with the problem of where to start in this reform program. We should first invigorate our banking operations to stimulate the national economy. This will enable us to discover the main factors hindering the development of our economy and adopt precise measures to deal with them. At present, some departments and localities have overstockpiled supplies, so that the machine-building industry suffers from the lack of a sufficient supply of raw materials and some capital construction units must suspend their construction work due to the lack of sufficient supplies. In view of this state of affairs, banks should use credit loans to stimulate the fuller utilization of manpower and supplies to the benefit of the development of our economy. In some cases, in carrying out certain construction projects, some localities have resorted to obtaining foreign loans to import certain equipment because of the lack of funds, although such equipment is available in China. There are also cases where equipment is imported through compensatory trade arrangements because of the lack of funds, although it is possible to have such equipment built in China. In such cases, the units concerned should study which is more profitable: to get domestic loans or foreign loans. If domestic loans are more profitable, then they should apply for credit loans from Chinese banks, instead of applying for foreign loans. There are also urgent projects in the development of the economy, such as energy conservation projects, which cannot be carried out due to the lack of funds. On the other hand, large quantities of supplies are overstockpiled, thus tying up large amounts of funds. If banks can induce the units concerned to dispose of such inventory so that funds will be available for use on urgent projects, it will serve to promote the development of the economy. Actual practice shows that if the banking control system can be reformed with this in view, it will be easy to discover problems, adopt realistic measures, and find out what is the correct road to follow.

Third, in reforming the banking system, attention should be paid to the objective judgment of its value. While the main goal of the reform is to invigorate the economy, there are people who are afraid that it might result in chaos. We hold that whether or not the reform will invigorate the economy without resulting in chaos depends on whether it will benefit the development of productive forces, enabling us to achieve maximum economic results with minimum labor consumption.

Economic results are the objective yardstick in evaluating all economic operations, including the banking system. As we know, the ratio of effect and expenditure is important in all types of social economic operations. In a commodity economy, this ratio is figured on the basis of value. The greatest value lies in achieving maximum economic results with minimum funds. The cost of production is measured by the consumption of raw materials and the expenditure of funds. Funds put into rapid circulation may also reduce the cost. We should select plans where the greatest economic results may be obtained with the least consumption of raw materials and expenditure of funds. The economic results should be measured not only on the basis of what benefits the units and localities concerned, but also what benefits the whole society. We should coordinate the partial and overall benefits as well as the long and short term benefits in order to develop our economy harmoniously. Our reform will be correct and successful if such economic results can be obtained. We should adopt a firm stand and march forward with confidence.

Fourth, we should pay equal attention to practice and theory. In the field of practice, we should study actual conditions, make comparisons, adopt the best plans, formulate effective measures, carry out reform on a trial basis where we are uncertain, and put into practice established correct systems. On the other hand, we should also engage in theoretical study to assure that the reform measures are in keeping with objective economic laws, thus putting our reform on a sound theoretical basis. Only in this way can we unify the views of all concerned. In the past 30 years, some deeply ingrained theories, work systems and practices have dominated our banking work. For this reason, every step of our reform will encounter different views and resistance. It is therefore necessary to carry out propaganda and discussion to emphasize the necessity and urgency of carrying out this reform. We should be courageous in adopting new measures, but we should also exercise sufficient care when studying new conditions and new problems. In addition, we should sincerely sum up our experiences and guide the reform program according to the actual development of events to bring the role of banks into full play in fulfilling the four modernizations.

#### Aid to Local Areas

Beijing ZHONGGUO JINRONG [CHINA'S FINANCE] in Chinese No 10, Oct 80 pp 7-9

[Article by Zhao Xian and Yu Yutai: "Banks Should Help Local Areas Make the Most of Their Potential"]

[Text] A leading cadre of the State Council, on hearing a banking report recently, clearly pointed out that the people's banks in each province and municipality should play the role of local banks to advance local interests. This will meet the urgent needs of the various localities to develop their potentials and speed up the realization of the four modernizations. This is a basic change in the guidelines for the operation of banks. How are provincial and city banks, as branches of the state bank, to play the dual role of state and local banks, helping the various localities develop their economic potentials while observing the principle that their work be carried out under centralized and unified leadership? This is an important topic for urgent discussion at this time.

In the past 31 years since the founding of new China, the people's bank has played the role of a state bank. It has used tremendous amounts of funds to support the economic construction of the state and development of the local economy. However, because of the revalling banking control system where power was overcentralized, provincial and city banks functioned only according to the plans and systems formulated by the main office of the people's bank, without any power to make their own decisions or flexibility in the use of funds. As a result, the banks could hardly carry out their work in close coordination with the development of the local economy, and they were unable to help the various localities in solving their problems. Furthermore, because of the restrictions imposed on credit loans, making it possible for the banks to issue loans to clients only in amounts slightly above established quotas, the banks could only play the role of cashier, without being able to fulfill the traditional banking role. Following the reform of our national economic system, the practice of socialism has been integrated with the development of our commodity economy. To fully develop their potentials, maintain competitive positions, and establish coordination with other localities under the guidance of state plans, the



various localities urgently need banking facilities which meet their needs. As a result of the continued reform of the credit loan control system, it has now become possible for the local banks to provide such facilities. To cope with this development, the local banks should be able to play the dual role of state and local banks. This should be considered a special feature of local banks. As branches of the state bank, provincial and city banks should, under the central and unified leadership of the state bank, play the role of regulators of local economic activities to promote local economic construction and the development of production. In this way, the banks can be used as a lever to advance the development of the local economy and the adoption of technical renovations.

First, it must be made clear that branches of the people's bank share the same interests as the localities concerned. In the past, because of the highly centralized banking control system, local banks had to follow rigidly the established rules and regulations in the application and control of funds. As a result, they had no power to help the various localities no matter how urgent the need, thus creating a gap in the relationship between the banks and the localities concerned. Today this state of affairs should be changed. Local banks should now bear in mind the need for construction and the economic interests of the localities concerned, and carry out their work in keeping with local plans for development of the economy. The banks should take the key projects for the development of production in their own localities as the main targets for extending loans. This, however, must not be construed as asking the banks to extend loans indiscriminately. Proper investigation should be carried out before loans are extended, and the banks should maintain an overall balance in their assets and liabilities. Furthermore, the banks should use their funds to develop local potentials according to the policy of extending credit loans selectively. The banks should lend financial support to all projects which can help in the development of local potentials. This will enable the localities to remain competitive in trade, break the monopoly against them, and coordinate with other localities. The banks should also evaluate the results of their loans according to the economic results achieved by the enterprises concerned in production and goods circulation. This is a far cry from the previous practice of extending loans without concern for the economic results achieved. Today, the banks should take the economic results as the main consideration in extending a credit loan to an enterprise, whether a national or a local enterprise, a state-operated or a collective-operated enterprise, or a cultural educational, public health, scientific research, or tourist unit. In this way, the funds will truly be used on projects requiring smaller investments to bring in quicker and greater results. Effort should be made to speed up the circulation of goods and funds, so that each yuan can achieve the results of two or even three yuan.

Second, the control of credit loans should be carried out with due consideration for the interests of both the state and the localities concerned. At present, the credit loan control system is based on "overall planning, classified control, coordination of savings and loans, and controlled balance." This is in contrast to the former system where funds were issued and recalled by administrative instructions. Under the current system, the main office of the people's bank will set a limit for each local bank, allowing it to use funds within that limit for extending loans, recovering loans and accepting deposits. In this way, local banks can have greater flexibility in using their funds. To take full advantage of this measure, the people's banks in the various localities should make efforts to increase bank deposits and speed up the circulation of funds so as to make available more funds

for development of the local economy and to increase the usefulness of the funds. In the future, more and more short and medium term loans can be extended for the procurement of equipment on an increasingly wide scale. The increased flexibility in using funds enjoyed by local banks will lend greater support to development of the local economy. From this it can be seen that an important means to promote development of the local economy is to handle properly the short and medium term loans for equipment. Local party and government organizations, devoting great attention to this type of loan, have established new organs to assist in the issuance of such loans. At present, when efforts are being made to promote competition and regulate the economy through market conditions, it is especially necessary to devote sufficient funds to the work of overcoming technical backwardness so as to put local products in a more competitive position. Liaoning Province during 1980 has extended a total of more than 200 million yuan as short and medium term loans for equipment, for development of the textile industry and for deposit holders, who are allowed to obtain loans in an amount exceeding their total deposits by up to 20 percent, thereby lending substantial support to the development of local production and construction. Attention must be given to the correct implementation of state policy, the correct utilization of funds, the achievement of greater economic results, and the early completion of projects, so that the loans will be used most fruitfully.

Third, work must be carried out with great flexibility. Many new situations and new problems have arisen since allowing the economy to be regulated both by planning and by market conditions. Almost all clients have asked the banks to liberalize their rules and regulations, their credit loan control, and their restrictions on the use of funds. In view of this development, banks at the various localities should carry out their work more flexibly according to actual conditions in order to invigorate the economy and contribute to the total reform of the banking system. This makes it necessary for us to not only adhere to the current rules and regulations, but also pay attention to economic results. We should try our utmost to advance the interests of the state, the collective and the individuals concerned in banking work, and do so quickly and fruitfully to open a great highway to bring a great deal of prosperity to our economy. In doing this we should distinguish between problems inherited from history and current problems, between subjective and objective problems, and between problems which must await new developments before they can be solved and others which can be solved through the adoption of active measures. On the basis of such distinctions, Liaoning has adopted flexible measures in 12 fields of work to support development of the local economy with good results. In this connection, Liaoning has directed its banks to help the various localities develop their potentials, control the use of funds according to the economic results concerned, extend loans for the procurement of equipment, support enterprises to turn deficits into profits, promote the production of materials in short supply and reduce the production of overabundant supplies, give support to collective enterprises, provide guidance to the private economy, broaden the channel of goods circulation, reduce the number of links in marketing goods, make full use of commercial credit in a controlled manner, and actively carry out accounting to promote local production and the flexible use of funds. Actual practice shows that if the banks carry out their work flexibly without causing chaos and do so according to specific local and actual conditions, they will certainly bring prosperity to the local economy and contribute to the invigoration of the national economy.

Fourth, banks should restore their traditional function of supplying funds to the local economy. In the past, we copied the Soviet system of operating banks through administrative instructions and reduced the function of banks to that of a common government office. Today, to meet the needs for development of the local economy, we should gradually restore the traditional functions of these banks. Insofar as these functions are beneficial to the four modernizations, we can restore them to good purpose while adhering to the socialist public ownership system and the principle of carrying out distribution according to one's work in keeping with state plans. In this way, we will operate our banks according to economic laws, as we once did in the past. The following are the main types of functions we will resume: First, we will restore the function of our banks as economic organizations engaged in handling currency. We will make great efforts to absorb idle funds in society and overcome our former practice of paying more attention to making loans than to receiving deposits. To meet the needs of the society and the masses, we will restore the system of letting enterprises and individuals use checks to transfer their funds. Our banks will also open savings accounts, accept personal bank deposits, and handle remittances and mortgages. Second, we will restore the escrow function of banks, assisting enterprises to invest their special funds and surplus funds to meet the needs for funds of others. Following the issuance of transferable stocks by enterprises, stock exchanges are bound to be established. The banks should try their best to fully develop the potential value of funds in the socialist commodity economy. Third, we will restore the economic information dissemination work. With the expansion of markets, the need in society for gathering economic information regarding the operational situations of different enterprises will increase. For this reason, it becomes very necessary for banks to engage in the dissemination of economic information, strengthening their research work to provide local authorities and enterprises with both short and long term outlooks in the development of the economy. This will give help to people making decisions on production and investments, and contribute to the development of the national economy and the banking business.

Local party committees are in support of the role of the people's banks to help their localities develop their potentials. This support is needed for the banks to broaden their operations with new vigor and in more areas. Taking advantage of this support, the banks themselves should change their past practice of relying on administrative instructions in carrying out their operations, and start to use credit loans, interest rates, and accounting as economic levers to promote the development of the local economy and the four modernizations. Nevertheless, attention should be paid to the development of new factors in new situations. These factors should be handled correctly. For instance, in advancing the interests of their own localities, provincial and city banks must not forget that they are also state banks, and as such they should firmly observe state policies concerning the issuance of currency, interest rates, commodity prices, and foreign exchange; otherwise they will make mistakes. Also, these banks should pay equal attention to the interests of the state, their localities and their clients. The profits made in their operations must be used as capital for credit loans, not for meeting financial expenditures. In addition, the banks should take suitable measures in a realistic manner to solve the problems concerning the idle funds held by enterprises, the "material losses to be written off," and the overstockpiled inventories which have long existed because they were and are difficult to handle and which constitute a negative factor in the circulation of funds, in efforts to achieve good results in the economy and in the operations of the people's banks functioning as local banks.



## FINANCE AND BANKING

### BRIEFS

**SHANXI NATIONAL TREASURY BONDS**--According to incomplete statistics, from 9 to 11 March, the Shanxi provincial people's government, the government organs, mass bodies, the state collective enterprises and the departments in charge at the provincial level have voluntarily offered to buy 60.8 million yuan worth of national treasury bonds. The state enterprises at the provincial level, the collective enterprises and the departments in charge alone have offered to buy bonds worth 53.4 million yuan, exceeding the guaranteed amount to be fulfilled by 1.87 million yuan. The government organs and enterprises at the provincial level have offered to buy bonds worth 1.06 million yuan, exceeding the buying tasks by 100 percent. The provincial CCP committee and the provincial people's government have offered to buy bonds worth 6.7 million yuan. On the morning of 12 March, the provincial people's government held a forum on buying national treasury bonds. Vice Provincial Governor Zhang Tianyi presided over the forum. (Hui Qingcai), vice chairman of the Standing Committee of the provincial CCP committee, reported the situation of buying national treasury bonds at the provincial level. They revealed that the State Council assigned the province to buy 100 to 120 million yuan of national bonds this year. (Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 14 Mar 81 HK)

**SICHUAN CURRENCY CONTROL**--The relevant economic departments in Sichuan have scored preliminary achievements in controlling the circulation of currency. In January and February 1981, the total amount of currency withdrawn from circulation to the banks throughout the province increased by 33 percent over the corresponding period of last year, while savings in the cities and towns increased by 35 million yuan, an increase of 100 percent over the corresponding period of last year. Various types of deposits at the end of February increased by 150 million yuan over the end of January. (Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 14 Mar 81 HK)

CNO: 4006

## ENERGY

### 'RENMIN RIBAO' COMMENTARY STRESSES BOILER CONVERSION

HK241448 Beijing RENMIN RIBAO in Chinese 11 Mar 81 p 2

[Commentator's article: "Successfully Converting Boilers Is a Key to Energy Conservation"]

[Text] In our country, boilers consume large quantities of energy. Saving energy consumed by boilers means saving large quantities of oil and coal and is of great significance in promoting technical innovations based on energy conservation.

The consumption of primary energy by boilers of various kinds in our country accounts for more than 50 percent of the country's total consumption of energy. There are now about 200,000 industrial boilers in our country and their total coal consumption comes to 200 million tons a year, but mean thermal efficiency is only a little more than 50 percent, a far cry from advanced international levels. The boilers consume 25 million tons of oil a year and a large part of this oil can be replaced by coal.

Some boilers were called "tigers" for their excessive consumption of energy. A number of them have been eliminated or revamped. Yet, this gave rise to the questions of the "tigers" moving their lairs and the emergence of new "tigers." When a "tiger" was disposed of by a unit, it was used by another unit. When a unit was vigorously revamping an old "tiger," another unit continued to make new "tigers" according to old blueprints. At present, about 100,000 boilers need to be revamped or replaced. This shows that there is great potential for reducing the consumption of energy by boilers. We should realistically do this job well.

Poor management is an important cause of the high consumption of energy by boilers. Many boilers are used without specific norms for their fuel consumption and without checking the amount of oil used by them, thus causing serious waste. Conservation of energy by boilers should start with the rudimentary work of specifying the responsibility, setting up a norm for checking energy consumption, and installing meters and instruments, so that the boiler operators will know how much energy has been consumed and the inspectors have factual (information) on which to check energy consumption.

Boilers which perform poorly and consume much energy should be revamped. Formerly, some localities divided the funds earmarked for revamping boilers.

They hastily launched a movement to revamp their boilers, rushing headlong into mass action and breaking up in a hubbub. The results often were unsatisfactory. Conservation of energy consumed by boilers involves a wide range of technologies and should not be carried out superficially and with fanfare. Arduous efforts must be made to enable the personnel concerned to understand the meaning of energy conservation and master the necessary techniques. In revamping boilers, we need a special technical contingent and a special inspection team. We should adopt measures according to actual conditions to insure economic results. First of all, we should fix the quantity of steam to be used and draw up a plan for revamping a boiler and then carefully put this plan into effect so that each boiler can be revamped successfully.

Boilers which have been converted from using coal to using oil as fuel should be converted back to using coal. Efforts should be made to study ways for converting boilers which use oil as fuel to using coal instead. These boilers should be so converted when conditions are right. Difficulties met in the course of this conversion should be overcome vigorously. Tens of thousands of boilers which are used were made before nationwide liberation or during the early postliberation period. They perform poorly, have a small capacity and are inefficient. It is not worthwhile to revamp them. They should be replaced. Where technical conditions permit, we should organize a central supply of heat instead of using small boilers. We must seriously sum up experiences and replace the technically backward boilers with the advanced ones which consume less energy. Of course, we should not popularize a boiler which is technically inefficient. We should popularize a boiler only after it has been inspected, experimentally tested and appraised.

At present, the system governing the production of industrial boilers is in confusion, and a unified plan and strict management are needed. Enterprises producing boilers show signs of blind development. Some of them have produced a considerably great number of boilers which are second-rate, costly and consume much fuel and raw and other materials. These enterprises should be seriously reorganized in order to basically solve the question of lowering the consumption of energy by boilers. Groups for reorganizing the boiler-producing enterprises should be formed in different areas. These groups should make investigation and put forward plans for reorganization, so as to strictly forbid blind production. Boiler-producing enterprises should have the essential technical facilities and forces and the means for inspection. The system of issuing production permits should be put into effect. The best enterprises should be selected as models. Any enterprise which does not have the essential conditions should not be allowed to produce boilers. The blueprints for the making of boilers should also be examined. The types of boilers which have irrational structures, consume much energy and raw and other materials, do not insure safety in production, and cause serious pollution should be eliminated or improved within a specified period of time. New products should not be turned out before they have initially been trial produced and appraised by the departments concerned. Only when the question of poor performance of boilers has been solved will it be possible to gradually save energy.

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## ENERGY

### BRIEFS

GUANGDONG ENERGY SYMPOSIUM--The Guangdong symposium to exchange experiences in saving energy ended in Guangzhou on the morning of 17 March. The 7-day symposium was held by the provincial people's government with the participation of 250 persons. The participants studied the situation, tasks and measures for saving energy this year and pledged to mobilize the staff and workers to deeply engage in activities of saving energy and to advance the national economy in readjustment. After summing up their achievements in 1980, they revealed that they saved 550,000 tons of coal, 39,000 tons of fuel oil, 279 million kilowatt-hours of electricity and 58,000 tons of coke. As Guangdong has an energy shortage, it is necessary to conduct technical innovations with saving energy as the center and insure steady development of the national economy in the province. It is also necessary to effectively popularize the advanced technology and experience in saving energy and grasp well work on saving energy through making use of windmills. Taking part in the closing ceremony of the symposium were Li Jianan, Huang Jingbo and Ye Xuanping, responsible comrades of the provincial people's government; and (Zhang Zhiqian), deputy director of the Energy Resources Bureau of the State Economic Commission. [HK181123 Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 17 Mar 81 HK]

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## DOMESTIC TRADE

### BRIEFS

**SHANXI COMMERCE CONFERENCE**--The recent Shanxi conference of the commerce bureau directors revealed that the central task of commercial work this year is to support production, stabilize the market and commodity prices and promote the further readjustment of the national economy. The participants pointed out that at present social purchasing power in the province has been enhanced. The market is thriving. However, the contradiction between supply and demand is rather striking, concealing the dangers of fluctuations within the market. Therefore, in readjusting the national economy, commerce must give full play to its function, persist in the political line, production and the interests of the masses while integrating regulation by planning mechanism with regulation by market mechanism and in doing our work in accordance with the economic law and try by every means possible to support the development of the industrial and agricultural production. In particular, it is necessary to support the production of the light and textile industries and consumer goods for daily use. In supply work, it is necessary to supply more industrial products to the countryside. [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 14 Mar 81 HK]

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## FOREIGN TRADE

### BRIEFS

ADVERTISING MEETING, JOURNAL--The first meeting of "Zhongguo Guanggao" [China Advertisement 0022 0948 1639 0707] correspondence editors was held in Nanjing from 6 to 20 March. It was attended by the correspondence editors of 17 editorial committees in Shanghai, Beijing, Nanjing, Guangzhou, Tianjin and other cities. The meeting called for further efforts to promote China's advertisement undertakings, which it noted were not compatible with the country's economic development. It decided to begin publishing a professional journal "Zhongguo Guanggao" in May and to do studies in socialist advertising and the art of advertisement. [OW210413 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 20 Mar 81]

GUANGDONG PREFECTURE FOREIGN TRADE--To date, the people in Foshan Prefecture have signed 2,267 contracts with foreign merchants for processing products with materials supplied by the customers. The processing fee alone is \$19 million. Some 523 enterprises and workshops are now engaged in this processing trade. They are spread out in 12 counties and municipalities throughout the prefecture. The products for processing include television sets, radio-tape recorder sets, electronic parts, plastic goods, wristwatch parts, leather goods, garments, textile goods, wooden furniture and bamboo products. [HK180908 Guangzhou Guangdong Provincial Service in Mandarin 2345 GMT 13 Mar 81 HK]

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## TRANSPORTATION

### HIGHWAYS IMPROVED IN YUNNAN PROVINCE

Kunming YUNNAN RIBAO in Chinese 19 Jan 81 p 2

[Article by Information Group of Yunnan Provincial Highway Administration Bureau: "Provincial Highway Administration Departments Striving To Improve Highways by Readjusting Its Internal Proportionate Relationships, Reducing the Scale of Capital Construction and Strengthening Road Maintenance"]

[Text] Since 1980, the Provincial Highway Administration Bureau has conscientiously readjusted its internal proportionate relationships and actively diverted funds and manpower from capital construction to road maintenance so as to gradually improve the highways. According to statistics by the end of last November, the mileage of good roads under the Provincial Highway Administration Bureau increased by 8.4 percent, and the mileage of bad roads was reduced by 13 percent as compared with those at the end of 1979. Improved highways will help speed up traffic and save energy.

Yunnan Province is located on a plateau with highway transportation as its life-blood. Along with the development of highway traffic, the highways under the Provincial Bureau has since 1973 focused its work on the improvement of old roads and the construction of asphalt-surfaced roads. In so doing, it inevitably squeezed something out of the funds and manpower originally intended for minor road repairs, thus causing the deterioration of roads as shown by the large number of cracks and potholes, the incomplete traffic signs, the damage to the roadside trees and the poor water drainage facilities. This has lowered transportation efficiency. In view of this, the Provincial Highway Administration Bureau carefully readjusted the internal proportionate relationships and adopted measures to strengthen road maintenance with the available manpower and financial and material resources. First, it reduced the funds and labor power originally intended for projects of a capital construction nature. In 1980, the investments in capital construction for the bureau was reduced from 38.5 percent of the total outlay in 1979 to 25.6 percent, and an asphalt road construction team was abolished with the manpower of the team transferred to the road maintenance force. Secondly, minor road maintenance was further strengthened. In 1980, funds for this purpose were increased from 27.6 percent of the total outlay in 1979 to 34.8 percent, and the number of people for each year/kilometer was also increased by 0.3 percent. The highway condition has been markedly improved since the readjustment. With the assistance of the section, the Third Maintenance Squad of Ruili Administration Section repaired all the bad roads in 3 months. The General Section of Lijiang has also changed the appearance of the main trunk lines after strengthening the maintenance work. The transportation units have lauded their achievements in these lines:

"Along the good roads, cars speed on smoothly.  
The roads are clean and the traffic signs all ready.  
There is little dust on either fine or rainy days,  
And now travel is comfortable and safe."

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## NATIONAL POLICY AND ISSUES

### SEMINAR ON WORLD ECONOMY OPENS IN HANGZHOU

#### Seminar Agenda

HK231042 Hong Kong WEN WEI PO in Chinese 23 Mar 81 p 1

[WEN WEI PO correspondent Cheng Xiang's (4453 5046) dispatch: "Seminar on World Economy Opens in Hangzhou Today--Nearly 200 Chinese and Foreign Entrepreneurs and Experts Attend; Chinese Experts To Emphatically Speak on the Question of Economic Readjustment and Reform"]

[Text] Hangzhou, 22 Mar--A large-scale seminar on world economy jointly sponsored by two major Chinese and American research institutes will officially open in Hangzhou on 23 March. The seminar is jointly sponsored by the World Economy Institute of the Chinese Academy of Social Sciences and the U.S. Stanford Institute.

A total of 159 delegates will attend the seminar, which include 63 Chinese delegates and 93 visiting delegates [figures as published]. In addition, there will also be 21 Chinese observers, bringing the total number of people in attendance to 180. The Chinese delegates are respectively from the State Import and Export Commission, the State Planning Commission, the Ministries of Foreign Affairs, Foreign Trade, Economic Relations with Foreign Countries and Finance, banking organizations, the China Travel and Tourism Bureau, the Chinese People's Association for Friendship with Foreign Countries, the Chinese Academy of Social Sciences and other related academic organizations as well as concerned professionals from various universities. Among them are renowned Chinese economists Xue Muqiao, Huan Xiang, Bu Ming and Yu Guangyuan. They will all make speeches or read their theses at the seminar. The Chinese experts will publish more than 20 theses at the seminar and they will cover questions involving all aspects of the international economy. They will also emphatically speak on China's current question of economic readjustment and reform.

Many of the foreign guests are renowned figures in the banking, industrial and commercial circles and research institutes of different countries. They are drawn from 25 countries and areas. The delegates from Hong Kong include K. H. Fung and S. C. Koo. At the opening ceremony scheduled today, Zhejiang Provincial Governor Li Pengping will deliver a welcoming speech. The subject of today's seminar is: economic problems in the Western countries; the subject for 24 March

1a: China's economic problems; the seminar will be adjourned on 25 March; the subject for 26 March is: the development of science and technology and the world economy. In addition, the seminar will also set up five discussion groups to penetratingly explore various economic problems in the 1980's.

#### Western Economy Discussed

HK231046 Hong Kong WEN WEI PO in Chinese 23 Mar 81 pp 1, 2

[WEN WEI PO correspondent Cheng Xiang's [4453 5046] special dispatch: "Chinese and Western Scholars Foresee Unstable Economy in the West During the 1980's")

[Text] Hangzhou, early in the morning on 23 Mar--When looking into the prospects for the Western economic situation in the 1980's, three Chinese and American scholars agreed that the 1980's will be a period of serious economic instability and numerous difficulties for the West. This is a view expounded in the theses to be published by Huan Xiang, vice president of the Chinese Academy of Social Sciences, and (Melvin Earl, Jr), senior economist of the U.S. Stanford Institute, at the "Seminar on World Economy" in Hangzhou.

The seminar will officially open today (23 March) and the subject of today's seminar is "Economic Problems in the Western Countries." This newspaper's correspondent interviewed Chinese and American economic experts in Hangzhou on the eve of the seminar. Huan Xiang pointed out that in regard to the situation in the first few years of the 1980's, the entire economy of the Western countries will continue to move toward retrenchment. The economic growth rate will be comparatively low and the rate of price increases will fall slightly. However, the unemployment rate will still be very high. There is not much optimism as to whether or not the readjustment of economic policies by the United States and some other Western countries will produce the expected results.

(Melvin Earl, Jr) also made clear the purpose and main theme from the very beginning and notes that the characteristics of the world economy in the 1980's will be even lower economic growth rate, even higher inflation and unemployment rates and even more tense trade relations than the 1960's.

Another American scholar Ma Mu Ge Lei [7456 1191 2706 7191] even described a scene filled with "mutual confrontations." He held that the 1980's will witness nine major problems: 1) general slowdown in global economic growth and capital formation; 2) global fall in the growth rate of world trade; 3) global inflation; 4) increased unemployment in the West; 5) all countries actively stimulating exports and restricting imports; 6) the highest interest rates ever and restrictive monetary policies resulting in most countries; 7) serious imbalance in the budgets of all countries; 8) on the international scene, commercial banks becoming increasingly cautious over the growth rate of debts; and 9) most governments tightening their budgets. This sort of retrenchment not only delays domestic economic expansion, but also reduces the scope of international aid. He pointed out that the governments of all countries are carrying out massive debates on what are the appropriate economic policies for the 1980's.

Huan Xiang also notes that at present, the Western economy is in a new period of difficulties brought about by the significance of transition. The period marks capitalism's entry into a stage of "long term stagnation"; and this stage began in the 1970's, calling a halt to the stage of postwar economic expansion in the West. He held that the trend of development of the Western economy in the 1980's will be determined by three factors: 1) relative increases in wages and prices and the trend of the rate of profits; 2) whether or not the economic policies of the monetarist school and the supply school will take effect; and 3) whether or not the armament industry caused by the scramble between the United States and the Soviet Union for world hegemony will stimulate production.

How will this situation affect China's four modernizations? (Melvin Earl, Jr) said: The prospects of the world economy are somewhat gloomy; and this will cause some reactions from the PRC in its own development process. To foreign investors, it will be more difficult to acquire capital than in the past. Import prices will increase alongside world inflation, and the efforts by the PRC to break into new markets will also be restricted by the low growth rate and protectionism in the Western economy. Therefore, what is significant to the scholars, government officials and entrepreneurs in the PRC and in the West is that they should obtain an even better understanding of the various factors which determine economic affairs.

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## TRANSPORTATION

### OCEAN SHIPPING SAID TO BE FAST DEVELOPING

Hong Kong ZHONGGUO XINWEN in Chinese 8 Dec 80 p 6

[Article: "Rapid Development of Ocean Shipping in China in Past 31 Years"]

[Text] ZHONGGUO XINWEN AGENCY, Beijing, 6 Dec--From the congress of sea navigation technicians of the Ministry of Communications which ended on 6 December, our correspondent has learned that China has now an ocean fleet of more than 400 vessels totaling more than 7.2 million tons. The ocean and coastal fleets can carry nearly 100 million tons of freight each year.

Shortly after the founding of the People's Republic, there were hardly any ships even for the coastal runs, while ocean transportation was practically nonexistent. The capacity of sea transport was then very small. Beginning from the First Five-Year Plan (1953-1958), and after long and painstaking efforts, sea transport in China is now fairly well developed, and the foundation has been laid for modernized sea transportation.

The coastal fleet, developing at the average rate of 10.1 percent each year, is now 7.9 times that of 1952. The ocean fleet was built up from scratch, and after a continued expansion, its ships are now calling at 450 ports in 101 countries and regions.

The seagoing fleet has been constantly replenished, and the technical structure of ships has been very greatly improved. At present, in addition to a certain number of 100,000-ton oil tankers and large ships for bulk cargo, we have also a certain number of containerized vessels, pelletized vessels and vessels with advanced equipment and unmanned engine rooms.

The volumes of both passenger and cargo traffic by coastal or oceangoing ships are increasing every year. According to statistics, the volumes of passenger and cargo traffic handled by coastal navigation enterprises were in 1979 11.3 and 31 times those of 1952 respectively. The ocean fleet is now undertaking more than 70 percent of the foreign trade cargoes for which the carrying vessels are designated by us.

The ranks of sea transport technicians has continued to swell. A large number of professional navigation personnel have been trained in sea transport universities and vocational institutes and through rotational training and technical lecture

classes. At present, the number of seamen has increased to more than 54,000, including more than 25,000 university or vocational institute graduates and some 18,000 cadre seamen.

Along with the development of the seagoing fleet, many undertakings serving water transportation, such as the building of harbors and other forms of capital construction, shipyards, navigation aids, navigation information facilities, sea rescue and scientific research have also undergone great development in the past 30 years.

Some participants at the congress told this correspondent that Chinese shipping is still inadequate for the requirements of the national economy and the growth of foreign trade. As a result of the readjustment of national economy and of the structure of energy resources, it is anticipated that coastal and foreign trade traffic will be increased by a wide margin, and the contradiction between the growing traffic and the limited means of transport will still be acute. In future, apart from continuing to accelerate the shipbuilding industry, it may be necessary to import some vessels of the advanced types to expand our own fleet according to the circumstances. At the same time, the administrative ability of cadres and the vocational and technical levels of the seamen should be further raised to meet the requirements of modernized navigation.

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